

Alabama State Board of Public Accountancy



Functional Analysis & Records Disposition Authority

**Presented to the
State Records Commission
October 21, 2015**

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Functional and Organizational Analysis of the Alabama State Board of Public Accountancy

Sources of Information

- Representatives of the Alabama State Board of Public Accountancy
- Code of Alabama 1975 § 34-1-1 through § 34-1-22
- Code of Alabama 1975 § 41-20-3 (Sunset Law)
- Alabama Administrative Code Chapters 30-X-1 through 30-X-8
- Alabama State Board of Public Accountancy Audit Report
- General Laws of the Legislature of Alabama passed at the Session of 1919
- *Accountancy Laws of Alabama* (1997 edition)
- Alabama Government Manual (2006), p. 534
- Government Services Division, State Agency Files

Historical Context

The first instances of governmental regulation in the practice of public accountancy in the state occurred in 1919. Legislative Act No. 142 of 1919 created the first Alabama State Board of Public Accountancy with somewhat different composition and powers. The state legislature established the board in its present form in 1973 and continued its existence following sunset reviews in 1982, 1984, 1988, 1992, 1996, 2000, 2003, 2007, 2011, and 2015.

Agency Organization

The board consists of seven members appointed by the governor. The governor appoints the first five members from a list of nominees submitted by the Alabama Society of Certified Public Accountants. The governor appoints the sixth member from a list of nominees submitted by the Alabama Association of Public Accountants. The governor appoints the seventh member from a list of nominees submitted by the Alabama Society of Certified Public Accountants from the Alabama business community who cannot be a licensee of the board. The board appoints an executive director who serves as chief executive officer for the board.

Agency Function and Subfunctions

The mandated function of the Alabama State Board of Public Accountancy is to license and register qualified applicants as certified public accountants (CPA), public accountants (PA), non-licensee owners (NLO), and firms, and to regulate the public accounting profession in Alabama. The board is one of the agencies primarily involved in carrying out the Regulatory function of Alabama government.

In the performance of its mandated functions, the board may engage in the following subfunctions:

- **Promulgating Rules and Regulations.** The Code of Alabama 1975 § 34-1-3(g) specifies that the board may adopt and amend rules and regulations for the administration of accountancy laws of Alabama. The Code of Alabama 1975 § 34-1-3(m), authorizes the board to promulgate and amend rules of professional conduct appropriate to establish and maintain a high standard of integrity in the profession of public accountancy. This subfunction encompasses activities pertaining to the establishment and promulgation of rules and regulations by the board for carrying out of its duties and responsibilities.
- **Licensing and Registering Public Accounting Professionals.** The Code of Alabama 1975 § 34-1-4 authorizes the board to issue certificates of certified public accountant (CPA) to applicants who meet approved general/educational requirements and have passed the required uniform national CPA examination. Code of Alabama 1975 § 34-1-8, authorized the board, from 1974 to 1978, to register applicants as public accountants (PA) who met all basic educational requirements or passed the board's written examination. The board also registered, until 1974, applicants as public accountants who met all basic requirements of grandfather clause for public accountants. Act of 2003-393 allows for ownership of CPA or PA firms by non-licensee owners (NLOs) provided that: (1) holders of valid CPA and PA certificates must own at least 51% of the firm; (2) the NLO is an active participant in the CPA or PA firm or affiliated entities; (3) the NLO has never been licensed as a CPA or PA; and (4) the NLO registers annually with the board. Holders of CPA and PA certificates engaging in the practice of public accounting and NLOs must apply to the board for annual permits. The board may renew the permits if practitioners have met the continuing professional education requirements and paid the required fee. Holders of CPA or PA certificates, who are not retired and not engaged in the practice of public accounting, must also register annually with the board and pay an annual registration fee.
- **Registering Public Accounting Firms.** The Code of Alabama 1975 § 34-1-6 and § 34-1-9 mandate that all firms engaged in this state in the practice of public accounting including sole proprietorships, partnerships, professional corporations, professional associations, limited liability companies, limited liability partnerships, or any other form of business entity recognized by Alabama law, must register with the board. The board reviews the applications and issues annual permits to those firms that meet the registration requirements.
- **Conducting Investigations and Hearings.** In accordance with the Code of Alabama 1975 § 34-1-14, the board may initiate investigations against a certificate holder either on its own motion or on the complaint of any person. An investigative committee, consisting of a board member, the board's executive director, and a consultant, investigates the complaint to determine whether there is probable cause for disciplinary proceedings. The board may enter informal settlements with the licensee or may take other disciplinary actions such as suspension or revocation of certificate and permit to practice.

- **Administering Internal Operations.** A significant portion of the board’s work includes general administrative, financial, and personnel activities performed to support its programmatic areas.

Managing the Agency: Activities involved in managing the agency may include internal office management activities, such as corresponding and communicating; scheduling; meeting; creating policies and procedures; reporting; litigating; legislating (drafting, lobbying, tracking); publicizing and providing information; managing records; and managing information systems and technology.

Managing Finances: Activities involved in managing finances may include the following: budgeting (preparing and reviewing the budget package, submitting the budget package to the Department of Finance, documenting amendments and performance of the budget); purchasing (requisitioning and purchasing supplies and equipment, receipting and invoicing for goods, and authorizing payment for products received); accounting for the expenditure, encumbrance, disbursement, and reconciliation of funds within the agency’s budget through a uniform system of accounting and reporting; authorizing travel; contracting with companies or individuals; bidding for products and services; and assisting in the audit process.

Managing Human Resources: Activities involved in managing human resources may include the following: recruiting and hiring eligible individuals to fill vacant positions within the agency; providing compensation and benefits to employees; supervising employees (evaluating performance, disciplining, granting leave, and monitoring the accumulation of leave); and providing training and continuing education for employees.

Managing Properties, Facilities, and Resources: Activities involved in managing properties, facilities, and resources may include the following: inventorying and accounting for non-consumable property and reporting property information to the appropriate authority; constructing buildings and facilities, leasing and/or renting offices or facilities; providing for security and/or insurance for property; and assigning, inspecting, and maintaining agency property, including vehicles.

Analysis of Record Keeping System and Records Appraisal of the Alabama State Board of Public Accountancy

Agency Record Keeping System

The Alabama State Board of Public Accountancy currently operates a hybrid record keeping system composed of paper and electronic records.

Paper-based Systems: Most of the board's records are created and maintained in paper form.

Computer Systems: The current information system of the Alabama State Board of Public Accountancy utilizes personal computers running Microsoft Windows 7 Professional on the board's work stations. The board is connected with the state's mainframe. Staff members have access to the Internet through the Department of Finance Information Service Division.

The following databases are maintained on the State's mainframe:

- 1) Board of Accountancy Main Database – created and used to maintain licensing information on certified public accountants (CPA), public accountants (PA), non-licensee owners (NLO), registered accounting firms, and CPA examination candidate history.
- 2) CPA/PA/NLO Report Database – created and used to document/balance payments received from individual licensees, to maintain listings of employees employed by registered accounting firms, and to print all permit cards, rosters, labels, and renewal forms for licensees.
- 3) CPA Examination Report Database – created and used to document/balance payments received for the CPA examinations, to generate candidate upload file to National Candidate Database, to record and update examination scores, and to print all necessary labels.
- 4) Firm Report Database – created and used to document/balance payments received from registered accounting firms, and to maintain and print all necessary permits, labels, and rosters.

Backup is provided by ISD on the State's mainframe.

Records Appraisal

The following is a discussion of the two major categories of records created and/or maintained by the Alabama State Board of Public Accountancy:

I. Temporary Records. Temporary records should be held for what is considered to be their active life and disposed of once all fiscal, legal and administrative requirements have been met. Some of the temporary records created by the board are discussed below:

- **Certified Public Accountant/Public Accountant Licensure and Registration Files.** The board is responsible for issuing certificates to certified public accountants and annual permits to qualified applicants. These files serve as evidence of the scope of a licensee's professional accounting practice in this state from initial licensing to the final separation. These records document the history of the licensee and should be maintained long enough to cover the career span of an individual licensee as these files may be needed from time to time by the board for licensing, revocation, and reinstatement purposes. Records of deceased licensees may be destroyed once they have met audit/compliance review and reference requirements

II. Permanent Records. The Government Services Division recommends the following records as permanent.

Promulgating Rules and Regulations

- **Accountancy Laws of Alabama.** The board publishes and updates this volume periodically for public distribution. Included are excerpts from the Code of Alabama, the Administrative Code, and program-related forms. This publication documents all professional rules, regulations, and procedures governing the practice of public accountancy in Alabama. **(Bibliographic Title: State Publications)**
- **Meeting Agendas, Minutes, and Packets of the Board.** The board holds regular meetings in March, May, September, and November each year. The chair or three or more members of the board may request special meetings if needed. These records document proposed and executed proceedings of meetings. They are the core documentation of the board's policy making and other program related functions. **(Bibliographic Title: Meeting Files)**
- **Register of Administrative Rules.** The agency shall have an officer designated as its secretary and shall file in the office of the secretary of the agency a certified copy of each rule adopted. The secretary of the agency shall keep a permanent register of the rules open to public inspection in its office (Code of Alabama 1975 § 41-22-6).

Licensing and Registering Public Accounting Professionals

- **Annual Registers.** The Code of Alabama 1975 § 34-1-3(k) requires the board to print and publish an annual register that contains names of the board members and all persons/firms licensed/registered to practice public accounting in Alabama. Information available on the annual register includes name, address, telephone number, license number, and type of license. The register provides the best source of information on the membership of the public accountancy profession in this state. **(Bibliographic Title: State Publications)**

Registering Public Accounting Firms

Permanent records documenting this subfunction are found in the Annual Registers as described in the Licensing and Registering Public Accounting Professionals subfunction.

Investigating Consumer Complaints and Violations

Permanent records documenting this subfunction are found in the Meeting Agendas, Minutes, and Packets of the Board as described in the Administering Office Operations subfunction.

Administering Internal Operations

- **Website and Social Media Sites.** The board maintains a website at www.asbpa.alabama.gov. The website contains accounting laws and rules, board membership, exam application package, forms, searchable database, and other related information. ADAH archivists capture and preserve agency websites, and other social media sites, through a service offered by the Internet Archive (Archive It). The website should be preserved as it serves as an important medium for communication with the public. **(Bibliographic Title: Website and Social Media Sites)**

Permanent Records List

Alabama State Board of Public Accountancy

Promulgating Rules and Regulations

1. Accountancy Laws of Alabama
2. Meeting Agendas, Minutes, and Packets of the Board
3. Register of Administrative Rules*

Licensing and Registering Public Accounting Professionals

1. Annual Registers

Administering Internal Operations

1. Website and Social Media Sites

*indicates records that ADAH anticipates will remain in the care and custody of the creating agency.

ADAH staff members are available to work with agency staff in determining the best location and storage conditions for the long-term care and maintenance of permanent records.

Alabama State Board of Public Accountancy Records Disposition Authority

This Records Disposition Authority (RDA) is issued by the State Records Commission under the authority granted by the Code of Alabama 1975 § 41-13-5 and § 41-13-20 through 21. It was compiled by the Government Services Division, Alabama Department of Archives and History (ADAH), which serves as the commission's staff, in cooperation with representatives of the Alabama State Board of Public Accountancy. The RDA lists records created and maintained by the Alabama State Board of Public Accountancy in carrying out its mandated functions and activities. It establishes retention periods and disposition instructions for those records and provides the legal authority for the agency to implement records destruction.

Alabama law requires public officials to create and maintain records that document the business of their offices. These records must be protected from "mutilation, loss, or destruction," so that they may be transferred to an official's successor in office and made available to members of the public. Records must also be kept in accordance with auditing standards approved by the Examiners of Public Accounts (Code of Alabama 1975 § 36-12-2, § 36-12-4, and § 41-5-23). For assistance in implementing this RDA, or for advice on records disposition or other records management concerns, contact the ADAH Government Services Division at (334) 242-4452.

Explanation of Records Requirements

This RDA shall govern the disposition of all records, regardless of format, created by the agency from its creation to dissolution. Please contact the staff of the Alabama Department of Archives and History before destroying any records created prior to 1940.

This RDA supersedes any previous records disposition schedules and/or RDAs governing the retention of the Alabama State Board of Public Accountancy's records. Copies of superseded schedules and/or RDAs are no longer valid and should be discarded.

The RDA establishes retention and disposition instructions for records listed below, regardless of the medium on which those records may be kept. Electronic mail, for example, is a communications tool that may record permanent or temporary information. As for records in any other format, the retention periods for e-mail records are governed by the requirements of the subfunctions to which the records belong.

Certain other record-like materials are not actually regarded as official records and may be disposed of under this RDA. Such materials include: (1) duplicate record copies that do not require official action, so long as the creating office maintains the original record for the period required; (2) catalogs, trade journals, and other publications received that require no action and do not document government activities; (3) stocks of blank stationary, blank forms, or other surplus materials that are not subject to audit and have become obsolete; (4) transitory records, which are temporary records created for short-term internal purposes that may include, but are not limited to, telephone call-back messages; drafts of ordinary documents needed for their evidential value; copies of material sent for information purposes but not needed by the receiving

office for future business; and internal communications about social activities; and (5) honorary materials, plaques, awards, presentations, certificates, and gifts received or maintained by the agency staff. They may be disposed of without documentation of destruction.

Records Disposition Requirements

This section of the RDA is arranged by subfunctions of the Alabama State Board of Public Accountancy and lists the groups of records created and/or maintained by the agency as a result of activities and transactions performed in carrying out these subfunctions. The agency may submit requests to revise specific records disposition requirements to the States Records Commission for consideration at its regular quarterly meetings.

** Denotes agency vital records, defined as records required to carry on its essential operations, to protect its legal and financial interests, and to assist in its recovery during a period of emergency or natural disaster.*

Promulgating Rules and Regulations

ACCOUNTANCY LAWS OF ALABAMA

Disposition: PERMANENT RECORD.

MEETING AGENDAS, MINUTES, AND PACKETS OF THE BOARD*

Disposition: PERMANENT RECORD.

REGISTER OF ADMINISTRATIVE RULES

Disposition: PERMANENT RECORD. Retain in office.

Recordings of Meetings

Disposition: Temporary Record. Retain until the official minutes are adopted and signed.

Printouts of Acknowledgment from the Secretary of State Relating to Notices of Meetings Posted by State Agencies

Disposition: Temporary Record. Retain 3 years.

Administrative Rule Files

Disposition: Temporary Record. Retain for useful life.

Licensing and Registering Public Accounting Professionals

ANNUAL REGISTERS*

Disposition: PERMANENT RECORD.

Certified Public Accountant (CPA) Licensure and Registration Files *

Disposition: Temporary Record. Retain 5 years after the death of a licensee is verified.

Public Accountant (PA) Licensure and Registration Files*

Disposition: Temporary Record. Retain 5 years after the death of a licensee is verified.

Non-Licensee Owners (NLO) Licensure and Registration Files*

Disposition: Temporary Record. Retain 5 years after the death of a licensee is verified.

Approved Continuing Education Course Files

Disposition: Temporary Record. Retain 5 years.

Potential Applicant College Course Evaluation Files

Disposition: Temporary Record. Retain 5 years.

Registration Logs

Disposition: Temporary Record. Retain for useful life.

Blank Annual Permits

Disposition: Temporary Record. Retain 3 years after the end of the fiscal year in which the records were created.

Board of Accountancy Main Database

Disposition: Temporary Record. Retain for useful life.

CPA/PA/NLO Report Database

Disposition: Temporary Record. Retain for useful life.

CPA Examination Report Database

Disposition: Temporary Record. Retain for useful life.

Registering Public Accounting Firms**Certified Public Accountant (CPA) Firm Registration Files***

Disposition: Temporary Record. Retain 5 years after closure of the firm.

Public Accountant (PA) Firm Registration Files*

Disposition: Temporary Record. Retain 5 years after closure of the firm.

Firm Report Database

Disposition: Temporary Record. Retain for useful life.

Conducting Investigations and Hearings**Consumer Complaint and Violation Investigation Files***

Disposition: Temporary Record. Retain 5 years after the death of a licensee is verified.

Administering Internal Operations: Managing the Agency

WEBSITE AND SOCIAL MEDIA SITES

Disposition: PERMANENT RECORD.

Note: ADAH staff captures and preserves the agency's website and other social media sites via a service offered by the Internet Archive [Archive It]. Check with ADAH website at www.archiveit.org/organizations/62 to ensure your agency website and social media site(s) are captured and preserved. If your agency's website and social media site(s) are not captured by the service, please contact the Government Services Division at 334-242-4452 to get them included.

Routine Correspondence

Disposition: Temporary Record. Retain 3 years.

Reference Files

Disposition: Temporary Record. Retain for useful life.

Telephone Records

Disposition: Temporary Record. Retain 3 years after the end of the fiscal year in which the records were created.

Mail or Parcel Service Pickup/Delivery Receipts

Disposition: Temporary Record. Retain 1 year.

Press Service Files

Disposition: Temporary Record. Retain for useful life.

Printing Service Request Files

Disposition: Temporary Record. Retain 3 years after the end of the fiscal year in which the records were created.

Records documenting the implementation of the agency's RDA (copies of transmittals forms to Archives or State Records Center, evidence of obsolete records destroyed, and annual reports to the State Records Commission)

Disposition: Temporary Record. Retain 3 years after end of the fiscal year in which the records were created.

Copy of RDA

Disposition: Temporary Record. Retain 3 years after end of the fiscal year in which the RDA is superseded.

Computer systems documentation (hardware/software manuals and diskettes, warranties)*

Disposition: Temporary Record. Retain documentation of former system 3 years after the end of the fiscal year in which the former hardware and software no longer exists anywhere in the agency and all permanent records have been migrated into a new system.

Administering Internal Operations: Managing Finances

Records documenting the preparation of a budget request package and reporting of the status of funds, requesting amendments of allotments, and reporting program performance

Disposition: Temporary Record. Retain 1 year after audit.

Records documenting the requisitioning and purchasing of supplies and equipment, receipting and invoicing for goods, and authorizing payment for products received*

Disposition: Temporary Record. Retain 1 year after audit.

Records of original entry such as journals, registers, and ledgers*

Disposition: Temporary Record. Retain 1 year after audit.

Records documenting requests for authorization from supervisors to travel on official business and other related materials, such as travel reimbursement forms and itineraries

Disposition: Temporary Record. Retain 1 year after audit.

Agency Audit Reports

Disposition: Temporary Record. Retain 6 years after end of the fiscal year in which the records were created.

Contractual records established for the purpose of services or personal property*

Disposition: Temporary Record. Retain 6 years after expiration of the contract.

Records documenting the bid process, including requests for proposals and unsuccessful responses*

Disposition: Temporary Record. Retain in office 7 years (Code of Alabama 1975 § 41-16-24).

Administering Internal Operations: Managing Human Resources

Job Recruitment Materials

Disposition: Temporary Record. Retain 3 years after end of the fiscal year in which the records were created.

Application Materials

Disposition: Temporary Record. Retain 1 year.

Position Classification Records*

Disposition: Temporary Record. Retain 4 years after reclassification of the position.

Records documenting payroll (e.g. pre-payroll reports, payroll check registers)*

Disposition: Temporary Record. Retain 1 year after audit.

Records documenting payroll deductions for tax purposes (including Form 941)*

Disposition: Temporary Record. Retain 1 year after audit.

Records documenting employee hours worked, leave earned, and leave taken*

Disposition: Temporary Record. Retain 1 year after audit.

Records documenting employees' daily and weekly work schedules

Disposition: Temporary Record. Retain 1 year after audit.

Records documenting leave donations

Disposition: Temporary Record. Retain 1 year after audit.

Records of final leave status*

Disposition: Temporary Record. Retain record of individual employees' cumulative leave 6 years after separation of employee from the agency.

Records documenting an employee's work history – generally maintained as a case file*

Disposition: Temporary Record. Retain 6 years after separation of an employee from the agency.

Employee Flexible Benefits Plan Files

- a. General information

Disposition: Temporary Record. Retain until superseded.

- b. Other (applications and correspondence)

Disposition: Temporary Record. Retain 6 years after termination of participation in program.

Records documenting the State Employee Injury Compensation Trust Fund (SEICTF) Claims

Disposition: Temporary Record. Retain 6 years after separation of the employee from the agency

Records documenting agency provision of training and professional development

Disposition: Temporary Record. Retain 3 years.

Administering Internal Operations: Managing Properties, Facilities, and Resources

SEMIANNUAL INVENTORY LISTS

Disposition: PERMANENT RECORD. Retain in office (Code of Alabama 1975 § 36-16-8[1]).

Transfer of State Property Forms (SD-1 Agency Copy)

Disposition: Temporary Record. Retain 1 year after audit.

Property Inventory Cards/or Computer Files

Disposition: Temporary Record. Retain 1 year after audit.

Receipts of Responsibility for Property

Disposition: Temporary Record. Retain until return of item to property manager.

Real Property Leasing/Renting Records*

Disposition: Temporary Record. Retain 6 years after expiration of the lease.

Insurance Policies/Risk Management Records*

Disposition: Temporary Record. Retain 6 years after termination of policy or membership.

Building Maintenance Work Orders

Disposition: Temporary Record. Retain 1 year.

Requirements and Recommendations for Implementing the Records Disposition Authority (RDA)

Requirements

Under the Code of Alabama 1975 § 41-13-21, “no state officer or agency head shall cause any state record to be destroyed or otherwise disposed of without first obtaining approval of the State Records Commission.” This Records Disposition Authority constitutes authorization by the State Records Commission for the disposition of the records of the Alabama State Board of Public Accountancy (hereafter referred to as the agency) as stipulated in this document.

One condition of this authorization is that the agency submit an annual Records Disposition Authority Implementation Report on the agency records management activities, including documentation of records destruction, to the State Records Commission in July of each year.

Recommendations

In addition, the agency should make every effort to establish and maintain a quality record-keeping program through the following activities:

The agency should designate a records liaison, who is responsible for ensuring the development of quality record keeping systems that meet the business and legal needs of the agency, coordinating the transfer and destruction of records, ensuring that permanent records held on alternative storage media are maintained in compliance with national and state standards, and ensuring the regular implementation of the agency’s approved RDA.

Permanent records in the agency’s custody should be maintained under proper intellectual control and in an environment that will ensure their physical order and preservation.

Destruction of temporary records, as authorized in this RDA, should occur agency-wide on a regular basis – for example, after the successful completion of an audit, at the end of an administration, or at the end of a fiscal year. Despite the RDA’s provisions, no record should be destroyed that is necessary to comply with requirements of the state Sunset Act, audit requirements, or any legal notice or subpoena.

The agency should maintain full documentation of any computerized record-keeping system it employs. It should develop procedures for (1) backing up all permanent records held in electronic format; (2) storing a back-up copy off-site; and (3) migrating all permanent records when the system is upgraded or replaced. If the agency chooses to maintain permanent records solely in electronic format, it is committed to funding any system upgrades and migration strategies necessary to ensure the records’ permanent preservation and accessibility.

Electronic mail contains permanent, temporary, or transitory record information. Although e-mail records can be printed out, filed, and retained according to the RDA’s requirements, the

agency should preferably employ an electronic records management system capable of sorting e-mail into folders and archiving messages having long-term value.

The staff of the State Records Commission or the Examiners of Public Accounts may examine the condition of the permanent records in the custody of the agency and inspect records destruction documentation. Government Services Division archivists are available to instruct the agency staff in RDA implementation and otherwise assist the agency in implementing its records management program.

The State Records Commission adopted this records disposition authority on October 21, 2015.

Steve Murray, Chairman
State Records Commission

Date

By signing below the agency acknowledges receipt of the retention periods and requirements established by the records disposition authority.

D. Boyd Busby, CPA, Executive Director
Alabama State Board of Public Accountancy

Date